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# CITY COURT OF SULPHUR IN AND FOR WARD FOUR Sulphur, Louisiana

Annual Financial Report and Independent Auditors' Report

Year Ended June 30, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/12/08

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### Management's Discussion and Analysis

Within this section of the City Court of Sulphur in and for Ward Four (City Court) annual financial report, the City Court's management is pleased to provide this narrative discussion and analysis of the financial activities of the City Court for the fiscal year ended June 30, 2007. The City Court's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### FINANCIAL HIGHLIGHTS

- The City Court's assets exceeded its liabilities by \$682,396 (net assets) for the fiscal year reported.
- Total revenues of \$1,504,069 exceeded total expenses of \$1,431,338, which
  resulted in a current year surplus of \$72,731, compared to a prior year surplus of
  \$15,807.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$22,227 include equipment, net of accumulated depreciation. There is no outstanding debt related to the purchase or construction of capital assets.
  - (2) Unrestricted net assets of \$660,169 represent the portion available to maintain the City Court's continuing obligations to creditors.
- At the end of the current fiscal year, unreserved net assets were 46% of total expenses and 43% of total revenues.
- Overall, the City Court continues to maintain a strong financial position and is continuing to work to improve on this financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This Management's Discussion and Analysis document introduces the City Court's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City Court also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

Management's Discussion and Analysis (Continued)

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City Court's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City Court's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the City Court's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City Court as a whole is improving or deteriorating. Evaluation of the overall health of the City Court would extend to other nonfinancial factors such as diversification of the revenue base, or the condition of City Court infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City Court's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City Court's distinct activities or functions on revenues provided.

Both government-wide financial statements distinguish governmental activities of the City Court that are principally supported by other revenues and from activities that are intended to recover all or a significant portion of their costs through user fees and charges.

### **FUND FINANCIAL STATEMENTS**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City Court uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City Court's most significant funds rather than the City Court as a whole.

The City Court has one kind of fund:

Governmental fund is reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City Court's governmental fund. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Management's Discussion and Analysis (Continued)

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

### NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

### FINANCIAL ANALYSIS OF THE CITY COURT AS A WHOLE

Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City Court as a whole.

The City Court's net assets at fiscal year-end are \$682,396. The following table provides a summary of the City Court's net assets:

	2007	<u>2006</u>
Assets: Current assets	\$ 665,211	<b>\$</b> 592,172
Capital assets, net	22,227	32,035
Total assets	687,438	624,207
Liabilities:		
Current liabilities	5,042	<u>14,542</u>
Net assets:		
Investment in capital assets	22,227	32,035
Unrestricted	660,169	<u>577,630</u>
Total net assets	\$ 682,396	\$ 609,665

The City Court continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio is 131.9 to 1(40.7 to 1 for 2006). Net assets increased by \$72,731 for the current year. Note that approximately 3% (5% for 2006) of the net assets are tied up in capital. The City Court uses these capital assets to provide services to its recipients.

### Management's Discussion and Analysis (Continued)

The following table provides a summary of the City Court's changes in net assets:

	<u>2007</u>	<u> 2006</u>
Revenues	\$ 1,5 <del>04,0</del> 69	\$ 1,368,373
Expenses	<u>1,431,338</u>	<u>1,352,566</u>
Change in Net Assets	72,731	15,807
Beginning Net Assets	<u>609,665</u>	<u>593,858</u>
Ending Net Assets	\$ 682,396	\$ 609,665

### CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets

The City Court's investment in capital assets, net of accumulated depreciation as of June 30, 2007, was \$22,227. See Note B for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

Non deposible assets.	<u>2007</u>	<u>2006</u>
Non-depreciable assets: Land	<u>\$</u>	\$ <u>-</u>
Depreciable assets: Equipment	174,875	<b>1</b> 71,954
Less accumulated depreciation	<u> 152,648</u>	139,919
Book value-depreciable assets	\$ 22.227	<b>\$</b> 32,035
Percentage depreciated	<u>87</u> %	<u>81</u> %
Book value-all assets	<u>\$ 22,227</u>	<b>\$ 32,035</b>

### Long-term debt

At the end of the fiscal year, the City Court had no debt.

Management's Discussion and Analysis (Continued)

### **ECONOMIC CONDITIONS AFFECTING THE CITY COURT**

Since the primary revenue stream for the City Court is court costs, the City Court's revenues are subject to changes in the court system.

### CONTACTING THE CITY COURT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City Court's finances, comply with finance-related laws and regulations, and demonstrate the City Court's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City Court's Clerk, Dee Davis, 802 S. Huntington Street, Sulphur, LA 70663.



W. GEORGE GRAGSON, C.P.A. RICHARD W. CASIDAY, C.P.A. RAYMOND GUILLORY, JR., C.P.A. GRAHAM A. PORTUS, E.A. COYT. VINCENT, C.P.A. MICHELLE LEE, C.P.A. MICHELLE LEE, C.P.A. BRADLEY J. CASIDAY, C.P.A., C.V.A. JULIA W. PORTUS, C.P.A.

### INDEPENDENT AUDITORS' REPORT

December 14, 2007

Honorable Charles Schrumpf, Judge City Court of Sulphur in and for Ward Four Sulphur, Louisiana

We have audited the accompanying basic financial statements of the City Court of Sulphur in and for Ward Four, Sulphur, Louisiana, a component unit of the City of Sulphur, Louisiana, as of and for the year ended June 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the City of Court of Sulphur in and for Ward Four, Sulphur, Louisiana, management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City Court of Sulphur in and for Ward Four, Sulphur, Louisiana, as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Out audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City Court of Sulphur in and for Ward Four, Sulphur, Louisiana. Such information has been subjected to the auditing procedures applied in City Court of Sulphur in and for Ward Four

December 14, 2007 Page Two

the audit of the basic financial statements; and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2007, on our consideration of the City Court of Sulphur in and for Ward Four, Sulphur, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

### Statement of Net Assets

June 30, 2007

100570		2007	<u>2006</u>
ASSETS Cash	\$	265,232	\$ 214,199
Restricted cash	Ψ	397,771	375,765
Interest receivable		2,208	2,208
Capital assets, net	_	22,227	32,035
Total assets		<u>687,438</u>	<u>624,207</u>
LIABILITIES			
Accounts and other accrued payables		5,042	14,542
NET ASSETS			
Invested in capital assets, net of related debt		22,227	32,035
Unrestricted	aireille.	660,169	577,630
Total net assets	<u>\$</u> _	682,396	<u>\$ 609,665</u>

Statement of Activities

Year Ended June 30, 2007

Net Revenues (Expenses) and Changes in Net Assets	Governmental <u>Activities</u>	2007 48,737 \$ 6,557	2,064 747		609,665 593,858	\$ 682,396 \$ 609,665
vet Reve Chand	υ	<del>69</del>	•		)9	\$
Program Revenues	Operating Grants and Contributions	₩	General Revenues: Miscellaneous	Interest Total General Revenues Change in Net Assets	Net Assets, beginning	Net Assets, ending
Progra	Charges for Services	\$ 1,480,075	General Miso	Total Change in N	Net Ass	Net Ass
	Expenses	\$ 1,431,338				
	Activities	Governmental Activities: General government				

The accompanying notes are an integral part of the basic financial statements.

**FUND FINANCIAL STATEMENTS** 

### Balance Sheet -- Governmental Fund

June 30, 2007

	2007	2006
ASSETS		
Cash Interest receivable	\$ 265,232 2,208	\$ 214,199 2,208
Restricted assets: Cash Total Assets	397,771 \$ 665,211	375,765 \$ 592,172
LIABILITIES AND EQUITY		
Liabilities: Accounts payable Payable from restricted assets: Bail bonds payable Total Liabilities	\$ 83 <u>4,959</u> <u>5,042</u>	\$ 6,583 7,959 14,542
Equity: Fund balance: Reserved Unreserved-undesignated Total Equity	395,020 265,149 660,169	374,280 203,350 577,630
TOTAL LIABILITIES AND EQUITY	<u>\$ 665.211</u>	\$ 592,172

# Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Assets

June 30, 2007

		<u>2007</u>		<u>2006</u>
Total fund balance for governmental fund at June 30, 2007:	\$	660,169	\$	577,630
Total net assets reported for governmental activities in the statement of net assets is different because:  Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:  Capital assets, net of \$152,648 accumulated depreciation	_	22,227	-	32,035
Total net assets of governmental activities at June 30, 2007	\$	682.396	\$	609.665

# Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund

### Year Ended June 30, 2007

	2007	<u>2006</u>
REVENUES	4 400 004	A 440 500
Civil fees	\$ 120,281	\$ 112,503
Court costs	872,320	779,984
Fines	431,113	418,468
Building fees	56,361	48,168
Interest income	21,930	8,503
Miscellaneous	2,064	<u>747</u>
Total Revenues	1,504,069	1,368,373
EXPENDITURES		
General government	256,212	261,028
Capital outlay	<u>2,921</u>	<u>23,352</u>
	259,133	284,380
Transfers out: Calcasieu Parish District Attorney	59,890	51,750
Calcasieu Parish Sheriff	32,850	30,606
	237,410	232,936
City of Sulphur	•	177.016
Indigent Defender Fund	202,452	•
Library Fund	9,797	9,892
Louisiana Rehabilitation Services	21,540	23,275
Louisiana State Police Training Academy	11,513	10,128
Parish of Calcasieu	271,416	265,374
Southwest Regional Crime Lab	53,901	46,805
Supreme Court of Louisiana	11,547	10,160
Crime Stoppers	11,332	9,792
Ward 4 Marshall	205,939	172,664
City of Westlake	1,360	<b>-</b>
Other agencies	<u>31,450</u>	<u>32,184</u>
Total Expenditures	<u>1,162,397</u>	<u>1,356,962</u>
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES	82,539	11,411
FUND BALANCE-BEGINNING OF YEAR	577,630	<u>566,219</u>
FUND BALANCE-END OF YEAR	<u>\$ 660,169</u>	<u>\$ 577,630</u>

# Reconciliation of the Statement of Revenues, Expenditure and Changes in Fund Balance-Governmental Fund to the Statement of Activities

Year Ended June 30, 2007

Total net changes in fund balance at June 30, 2007 per Statement of Revenues, Expenditures and Changes	2007	2006
in Fund Balance	\$ 82,539	\$ 11,411
The change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.  Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes		
in Fund Balance Depreciation expense for the year ended June 30,	2,921	23,352
2007	(12,729) (9,808)	<u>(18,956)</u> <u>4,396</u>
Total changes in net assets at June 30, 2007 per Statement of Activities	<u>\$ 72,731</u>	<u>\$ 15,807</u>

### Notes to Financial Statements

June 30, 2007

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City Court of Sulphur in and for Ward Four was created under the authority of LSA-RS 13:1871-2512 and is a City/Ward Court handling traffic and misdemeanor criminal matters, civil matters with money jurisdiction not exceeding \$25,000 and juvenile matters.

### 1. Reporting Entity

The City Court judge is an independently elected official. However, the City Court is fiscally dependent on the City of Sulphur, Louisiana for office space, court rooms, partial funding of salary costs and other operating expenses. Because the City Court is fiscally dependent on the City, the City Court was determined to be a component unit of the City of Sulphur, Louisiana, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the City Court and do not present information on the City of Sulphur, Louisiana, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

### 2. Basis of Presentation

The accompanying basic financial statements of the City Court have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", issued in June 1999.

### Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City Court as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through costs, intergovernmental revenues, and other nonexchange revenues.



### Notes to Financial Statements

June 30, 2007

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The statement of activities presents a comparison between direct expenses and program revenues for each of the functions of the City Court's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the City Court; and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

### **Fund Financial Statements**

The City Court uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City Court functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

The City Court has one fund, the General Fund, which is therefore considered its major fund.

### 3. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

### Measurement Focus

On the government-wide statement of net assets and the statement of activities, the activities are presented using the economic resources measurement focus. In the fund financial statements, the "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

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### Notes to Financial Statements

June 30, 2007

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Basis of Accounting

In the government-wide statement of net assets and statement of activities, the activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting.

### 4. Deposits and Investments

Deposits include amounts in demand deposits and interest-bearing demand deposits, as well as short-term investments with an original maturity date of 90 days or less. State statutes authorize the City Court to invest in obligations of the U.S. Treasury, U.S. Government Agencies, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, as stipulated in R.S. 39:1271, or any other federally insured investment.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2007, the City Court has \$775,809 in deposits (collected bank balances). These deposits are secured from risk by \$209,149 of federal deposit insurance and \$566,660 of pledged securities held by the custodial bank.

### Notes to Financial Statements

June 30, 2007

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City Court's investments are categorized in accordance with GASB Statement No. 3 as Category 1, insured or collateralized with securities held by the government entity or by the agent in the name of the governmental entity. The City Court's investment program is limited to purchases of securities issued or guaranteed by the U.S. government and its agencies.

Carrying amounts at June 30, 2007 were as follows:

	Carrying <u>Amount</u>	Fair Value	Cost
U.S. Treasury and agency obligations	<u>\$ 207,535</u>	<u>\$ 207,535</u>	<u>\$ 210,831</u>

The following summarizes the investment return:

Interest earned	\$ 8,834
Unrealized gain	 3,292
Net investment return	\$ 12,126

### Restricted Assets

Restricted assets on the balance sheet represent amounts which have accumulated in accordance with bail bonds, accrued judicial fees, fines and civil proceedings deposits.

### 6. Legal Compliance - Budgets

The City Court does not prepare a budget, based on an Attorney General's opinion issued in 1980, which stated Courts were exempt from the Local Budget Act. Therefore, the budgetary comparison schedule-general fund is not presented.

### 7. Capital Assets

Capital assets, which includes equipment, are reported in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

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### Notes to Financial Statements

June 30, 2007

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Equipment 3-7 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

### 8. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the Governmental Fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. No expenditure is reported for these amounts. In accordance with the provisions of Statement Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. At June 30, 2007 the City Court's liability for compensated absences could not be reasonably estimated.

### 9. Equity Classification

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

### Notes to Financial Statements

June 30, 2007

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

### 10. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### NOTE B - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2007 follows:

Governmental activities: Equipment	Beginning <u>Of Year</u>	Additions		<u>Deletions</u>		End of <u>Year</u>	
	\$ 171,954	\$	2,921	\$	-	\$	174,875
Less accumulated depreciation for Equipment Governmental activities capital assets, net	or: <u>139,919</u>		12,729		<u> </u>		152,648
	<b>\$</b> 32,035	\$	(9,808)	\$	<u>-</u>	\$	22,227

### NOTE C - PENSION PLANS

Substantially all employees of the City Court are eligible to participate in the Municipal Employees' Retirement System. The Judge is eligible to participate in the Louisiana State Employees' Retirement System.

### Notes to Financial Statements

June 30, 2007

### NOTE C - PENSION PLANS - CONTINUED

### 1. Municipal Employees Retirement System of Louisiana (System)

Plan Description. Substantially all employees of the City Court are eligible to participate in the Municipal Employees' Retirement System, a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the City Court are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable services, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the City Court is required to contribute at an actuarially determined rate. The current rate is 16.25% of annual covered payroll. The City Court contributions to the System under Plan A for the year ended June 30, 2007 was \$10,205.

### 2. Louisiana State Employees' Retirement System

Plan Description. The Judge of the City Court of Sulphur, is a member of the Louisiana State Employees' Retirement System, a cost-sharing,

### Notes to Financial Statements

June 30, 2007

### NOTE C - PENSION PLANS - CONTINUED

single-employer defined benefit pension plan administered by a separate board of trustees.

Any person legally occupying a position in state service except those specifically excepted from participation are eligible to participate in the System.

Eligibility for retirement benefits includes written applications to the Board and Member has attained age 60 and 10 years of accredited service, or age 55 and 25 years of accredited service, or at any age and 30 years of accredited service. Certain members of the Department of Public Safety and Corrections, 20 years of accredited service at any age (age 50 if employed after August 15, 1986, 20 years of service). Service as a judge or court officer, 18 years of creditable service regardless of age, or age 50 and 20 years of accredited service, or age 55 and 12 years of accredited service, or age 70 without regard to accredited service. Members of the legislature, governor, lieutenant governor and state treasurer, 16 years of such service without regard to age, or age 50 with 20 years of accredited service with 12 years of such service, or age 55 with 12 years of such service.

Annual pension is equal to 2 ½ percent of average compensation for each year of creditable service, plus \$300 supplemental benefit; equal to 3 ½ percent of average compensation for each year of creditable service as a judge or court officer; equal to 3 ½ percent of average compensation for each year of creditable service as a legislator, governor, lieutenant governor, employees of the legislature or state treasurer.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employees' Retirement System, P.O. Box 44213, Baton Rouge, LA, 70804-4213.

Funding Policy. Members are required by state statute to contribute 11.5 percent of their annual covered salary and the City Court is required to contribute at an actuarially determined rate. The current rate is 20.4 percent of annual covered payroll. The City Court's contributions to the System for the year ending June 30, 2007 was \$5,207.

### Notes to Financial Statements

June 30, 2007

### NOTE D - RISK MANAGEMENT

The City Court is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City Court maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City Court. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

OTHER SUPPLEMENTAL INFORMATION

### Schedule of General Government Expenditures-Governmental Fund

### Year Ended June 30, 2007

		<u>2007</u>		<u>2006</u>
Attorney, witness and curator fees	\$	9,070	\$	9,859
Audit fees	•	6,500	•	6,500
Bank charges		155		1,035
Civil fees-Judge and Marshall		42,392		38,581
Clerical		70,262		74,052
Conventions and seminars		14,077		16,653
Court cost refunds		16,344		12,044
Dues		720		675
Janitorial services		6,281		7,536
Judge ad hoc		293		•
Legal advertising		224		229
Library		3,900		3,570
Miscellaneous		6,870		8,080
Miscellaneous services		12,434		13,432
Office supplies and expenses		21,449		23,703
Recordation of judgment		2,260		965
Repairs and maintenance		8,807		11,308
Retirement funds - Clerical		10,205		10,657
Retirement funds – Judge		5,207		4,552
Supplementary state fees		15,421		13,704
Taxes		2,357		2,705
Telephone		845		823
Utilities		139		<u>365</u>
	\$	256,212	<u>\$</u>	261,028

W. GEORGE GRAGSON, C.P.A. RICHARD W. CASIDAY, C.P.A. RAYMOND GUILLORY, JR., C.P.A. GRAHAM A. PORTUS, E.A. COY T. VINCENT, C.P.A. MICHELLE LEE, C.P.A. BRADLEY J. CASIDAY, C.P.A., C.Y.A. JULIA W. PORTUS, C.P.A.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT AND OTHER MATTERS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 14, 2007

Honorable Charles Schrumpf, Judge City Court of Sulphur in and for Ward Four Sulphur, Louisiana

We have audited the basic financial statements of the City Court of Sulphur in and for Ward Four, Sulphur, Louisiana, a component unit of the City of Sulphur, Louisiana, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City Court of Sulphur in and for Ward Four's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance and other matters with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered City Court of Sulphur in and for Ward Four's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and is disclosed in the Schedule of Findings and Questioned Costs.

Honorable Charles Schrumpf, Judge City Court of Sulphur in and for Ward Four Sulphur, Louisiana December 14, 2007 Page 2

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City Court's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City Court's financial statements that is more than inconsequential will not be prevented or detected by the City Court's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote tikelihood that a material misstatement of the financial statements will not be prevented or detected by the City Court's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

This report is intended solely for the information and use of management, the City Council of the City of Sulphur, Louisiana, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Tragger Cosiday & Distay

### Schedule of Findings and Questioned Costs

June 30, 2007

### Summary of Auditors' Report

Auditor issued an unqualified opinion on the financial statements.

Internal control over financial reporting:		
Material weakness(es) identified?	yes	<u>x</u> no
Control deficiency(s) identified that are		
not considered to be material weakness(es)?	<u>x</u> yes	none reported
Noncompliance material to financial statements		
noted?	yes	<u>x</u> no

### **Financial Statement Findings**

2007-01:

Description: Because of the lack of a large staff, more specifically accounting personnel, there is a lack of sufficient segregation of duties necessary for proper controls. One person is currently performing the function of preparing disbursements, and reconciling the bank statements. We do note that this situation is inherent to most entities of this type and is difficult to solve due to the funding limitations of the City Court. We recommend that the Judge take an active role in the review of all of the monthly financial information. This was also a prior year finding.

Corrective Action Planned: Continued oversight by the Judge

Contact Person: Judge Charles Schrumpf

Federal Award Findings and Questioned Costs

N/A

### Prior Year Audit Findings

Item 2006-01: Segregation of duties –due to lack of sufficient financial resources, this cannot be resolved